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15 September 1966

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# CENTRAL INTELLIGENCE BULLETIN

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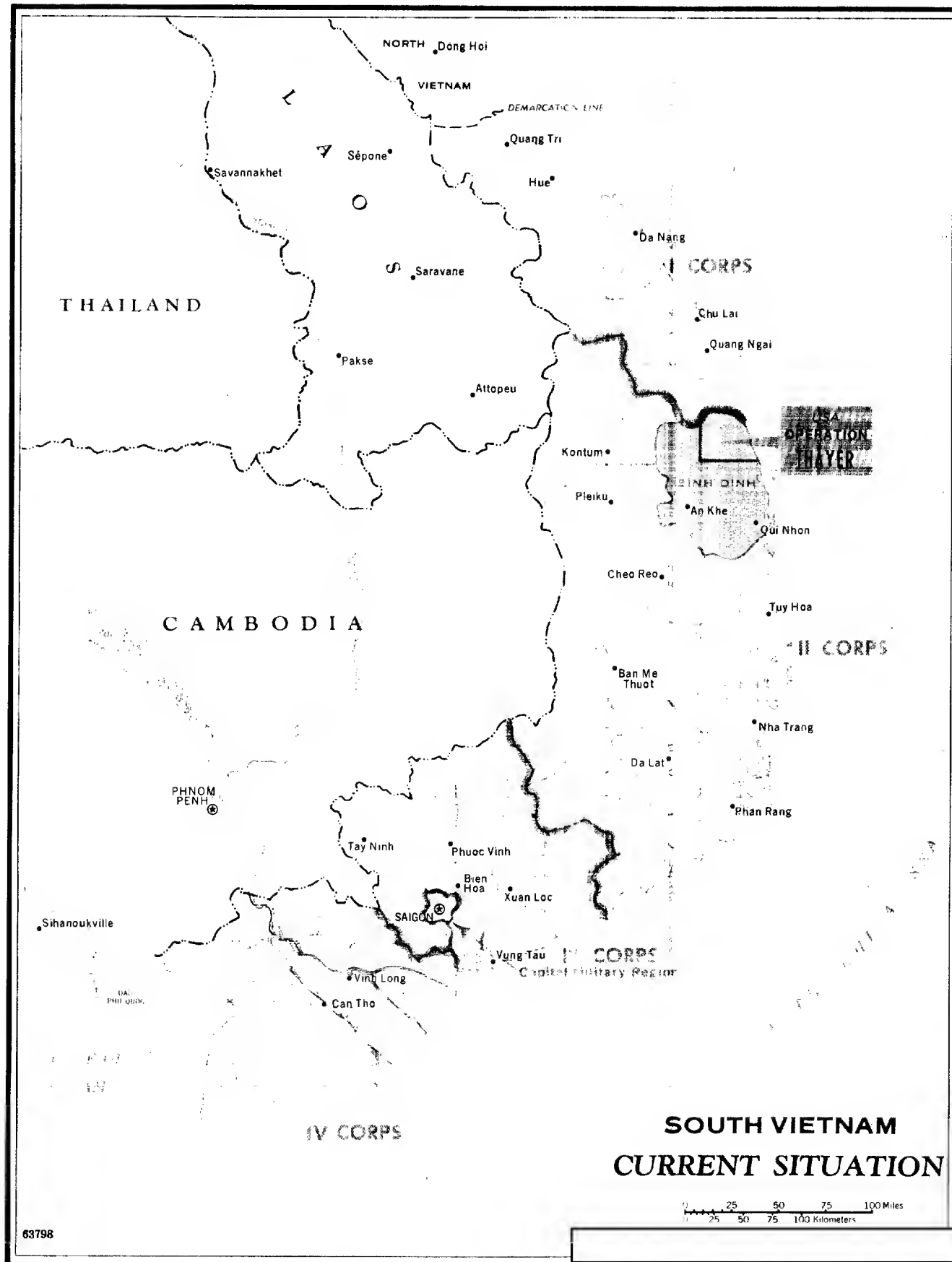
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\*Vietnam: (Information as of 4:30 AM EDT)

The Military Situation in South Vietnam: Viet Cong harassment continued yesterday in the Saigon area.

In a pre-dawn attack, an estimated 150 Communist guerrillas raided the motor pool of a US civilian construction company about six miles north of the capital. Penetrating the compound's outer defenses, the guerrillas used grenades or satchel charges to destroy the administration building and more than 50 trucks. Initial reports list two South Vietnamese drivers killed and several wounded. A nearby military outpost and a police checkpoint were also harassed, with no casualties reported.

US troops participating in Operation THAYER, begun on 12 September in the northeastern coastal area of Binh Dinh Province, have reported 21 Communists killed and 18 captured, as against 19 Americans wounded and one helicopter destroyed. Operation THAYER is targeted against elements of the 610th "Yellow Star" Division, which includes both North Vietnamese and Viet Cong regiments and is believed to be responsible for recent enemy attacks in this area. (See Map)

Political Developments in South Vietnam: Statistical data for the month of August indicate some stabilizing of the economic situation.

Prices, which increased sharply in July in initial reaction to devaluation of South Vietnam's piaster, for the most part leveled off or declined during August. The working class consumer price index--reflecting mainly Saigon prices--declined for the first time since

February. On the free market, the value of US \$10 dropped from 204 piasters in July to 167 in August, or roughly to the level of last March. The rise in the money supply since June has been significantly slowed.

A sudden rise in the prices of consumer pork products in Saigon on 12 September is considered to be only temporary and likely to reverse itself by the week's end. The increase resulted from Viet Cong interdiction of several bridges between the capital and the delta last weekend, disrupting delivery of pigs to Saigon pending repairs.

North Vietnamese Political Developments: A North Vietnamese economic delegation headed by Politburo member Le Thanh Nghi signed an aid agreement with the Hungarian Government on 13 September as part of the delegation's current tour of the Communist bloc in search of economic assistance for the DRV. According to the agreement, Budapest will assist North Vietnam by providing grant aid and assistance "on matters pertaining to the training of Vietnamese technicians in Hungary." Prior to arriving in Budapest, the delegation signed similar aid agreements in Peking and Pyongyang and made a brief stopover in Moscow. The North Vietnamese economic group left Budapest shortly after signing the agreement and arrived in Bulgaria the same day. [REDACTED]

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Cambodia-Thailand: Prospects are improving for an easing of tensions between Bangkok and Phnom Penh.

Thai leaders have reacted cautiously but favorably to recent Sihanouk statements that Cambodia will not pose any prior conditions to a resumption of diplomatic relations with Bangkok. Thai Deputy Prime Minister Praphat, whose position will be critical, has heretofore taken a hard line on Thai-Cambodian relations. As recently as July, he rebuffed a Cambodian overture. Yesterday, however, he told the press that Thailand had no objection to a resumption of relations, which were terminated by Cambodia in 1961, and that the cabinet is currently exploring the possibilities.

Praphat is also the key figure behind Thai support for the Khmer Serei dissidents, whose stepped-up activities against Cambodia in the past two years have led to a score of border incidents and to Cambodian counter-terrorism. Although Sihanouk has stated that Bangkok's support for the Khmer Serei will not stand in the way of a resumption of relations, he made it clear that a continuation of their activities will impede a meaningful reconciliation between the two countries. [REDACTED]

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Uruguay: Communist leaders expect today's general strike to be one of the most effective in the nation's history.

They believe that participation by the transport workers' union will keep most workers at home whether or not they support the Communist-led strike. A successful strike would encourage the Communist leadership's belief that legitimate economic grievances can be channeled into support for party political objectives.

Although the aims of the strike include better wages and benefits, its main objective is to demonstrate labor's repudiation of a constitutional reform proposal put forward jointly by large factions of the two traditional parties. This joint proposal, which would substitute a strong executive for Uruguay's ineffective and divided nine-man National Council of Government, is the only plan for governmental reform with a chance to win approval.

Although Council President Heber had earlier said he would not tolerate labor unrest, there is no indication of government determination to prevent it. Widespread violence is unlikely, but Communist-inspired labor agitation will probably increase as the 27 November general elections near.

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Norway-USSR: Soviet press criticism of Oslo and its NATO ties is continuing.

In the most recent article, one of many throughout the summer, Izvestia again advocated the establishment of a denuclearized zone and neutrality for all the Scandinavian countries, guaranteed by both the USSR and the Western powers. The Norwegians have rejected this, arguing that they could never accept neutrality in the light of their experiences during World War II.

This press campaign reflects the USSR's efforts to exploit disunity in the Western alliance. Some Norwegian officials, however, view it as a warning that Moscow sees indications of a less friendly attitude on the part of Norway's year-old non-Socialist government. The US Embassy in Moscow has suggested that the Soviets are engaged in a typical softening-up process before the Norwegian foreign minister's visit to Moscow in November.

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\*Malaysia: Growing political friction has led Kuala Lumpur to place the Borneo state of Sarawak under a state of emergency.

The current crisis stems from the competing claims for the chief ministership between the incumbent Stephan Ningkan, whose faction favors more autonomy, and Tawi Sli, who represents those willing to accept Kuala Lumpur's dominance. Kuala Lumpur engineered Ningkam's replacement by Tawi Sli in June, only to have the Sarawak high court reinstate Ningkan on 7 September. Ningkan has attempted to expand his support to include the Communist-penetrated Sarawak United People's Party.

In making the state of emergency announcement early today, Malaysian Deputy Prime Minister Abdul Razak summoned the federal parliament on 19 September to amend the Sarawak constitution to permit the governor to convene the state assembly for the purpose of holding a vote of no confidence in Ningkan. In a sop to popular sentiment, Razak also promised that the federal government would proceed with elections in Sarawak at some unspecified time.

The government's interference in Sarawak affairs is increasing local sentiment in favor of greater autonomy and may ultimately offer Indonesia a fertile field for exploitation in its continuing ambition to separate the Borneo states from the federation.

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NOTES

French Somaliland: The unrest over French rule which erupted during De Gaulle's visit in late August is becoming worse. There are unconfirmed reports that French military forces have established martial law in Djibouti following new demonstrations on 13-14 September. After the August disturbances, Paris replaced the territorial governor. What further action France will take--there have been reports of holding new elections for the local assembly--may be hastened by these new demonstrations and by De Gaulle's personal involvement.

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\*Dominican Republic: In separate incidents yesterday in Santo Domingo, unknown assailants tossed hand grenades at a local police station and fatally shot two American soldiers. Those responsible eluded capture, but both incidents resemble terrorist acts carried off in the past by extreme leftists. Such incidents add to an aura of terror and sow apprehension on the eve of the departure later this month of the Inter-American Peace Force.

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